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**HF 240** – Regenerative Medicine Research Tax Credit (LSB1545YH)  
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Fiscal Note Version – New

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**Description**

**House File 240** creates a new income tax credit for contributions made to a regenerative medicine research institution located in Iowa. The credit is equal to 60.0% of the contribution amount, and any contribution used to receive the credit cannot be also used as an itemized deduction for Iowa income tax purposes. The credit is not transferable and is not refundable, but any unused portion may be carried forward for up to four additional tax years. The credit is available for tax years beginning on or after January 1, 2017.

No more than \$10.0 million in tax credits may be approved in a fiscal year. Applications for the credit received after the \$10.0 million annual cap are placed on a wait list for tax credit allocation in the next fiscal year.

Contributions to a postsecondary institution or to entities that receive 25.0% or more of their annual budget from postsecondary education institutions do not qualify for the credit.

**Assumptions**

- The entire \$10.0 million in tax credits allowed each fiscal year will be awarded.
- All tax credits will be claimed on individual income tax returns.
- The redemption pattern for the new tax credit will follow the redemption pattern for the Endow Iowa Tax Credit and the School Tuition Organization Tax Credit. This assumption means that 89.8% of tax credits awarded will be redeemed over the course of five tax years, and the remaining 10.2% will expire unused.
- Without the new tax credit, the contributed funds would all be contributed to some entity or cause that would generate an itemized deduction for the taxpayer. This assumption means that a portion of the fiscal impact of the new credit is offset by reduced itemized deductions.
- Nonrefundable tax credits impact the calculation of the local option income surtax for schools. Statewide revenue generated from the surtax averages 3.2% of State individual income tax liability.

**Fiscal Impact**

The new tax credit for regenerative medicine research is projected to reduce net State General Fund revenue by the following amounts:

- FY 2018 = \$-4.9 million
- FY 2019 = \$-7.2 million
- FY 2020 = \$-7.6 million
- FY 2021 and after = \$-7.8 million

The new tax credit will also reduce the amount of revenue generated by the local option income surtax for schools. The projected impact is a reduction of \$157,000 in FY 2018, growing to \$250,000 in FY 2021 and after.

The Department of Revenue reports that the expected expenses associated with implementing, tracking, and reviewing this new tax credit are projected at \$400,000.

**Source**

Iowa Department of Revenue

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/s/ Holly M. Lyons

February 27, 2017

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.  
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